



State of New Hampshire
DEPARTMENT OF ADMINISTRATIVE
SERVICES
State House Annex - Room 120
25 Capitol Street
Concord, New Hampshire 03301

DONALD S. HILL
Commissioner
(603) 271-3201

February 28, 2003

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street SW
Washington, DC 20554

RE: Interim measures for Universal Service Contributions, Docket No. 96-45

Dear Ms. Dortch:

This purpose of this letter is to express concern over impending changes to Universal Service Fund contributions. Traditionally the application of FUSF charges on Centrex services has been at a reduced rate due to the nature of the service itself. The proposed order would have a serious, negative impact on state government telecommunications budgets.

Background: Since 1997 the FCC has allowed local exchange carriers to charge their Centrex users for federally mandated USF fees at a rate reduced from typical business lines. Centrex has traditionally been implemented as an alternative to Private Branch Exchange services with lines utilized as PBX extensions. The majority of these lines are used for communications within a single business entity, and not for interstate communications. This being the case, Centrex lines should be assessed a fraction of the charges assessed typical business lines. A new rule 47 C.F.R. 54.712 *Universal Service Contribution Order* appears to have the effect of ending the use of the Centrex equivalency ratio as of April 1, 2003 for customer USF charges.

State of New Hampshire's Position: The State of New Hampshire is concerned that the Interim Order in the Universal Service Proceeding will effectively abolish the Centrex equivalency ratio that permits carriers to assess a universal service charge at one-ninth of the rate assessed on trunks. This is an established practice from previous FCC rulings intended to preserve competitive neutrality in the treatment of Centrex services versus PBX services. Like several other parties that have filed comment with the FCC, we have a serious concern over this change. The State's position is that action by the FCC is urgently needed to affirm that the status of the Centrex equivalency ratio in assessing Universal Service Fund charges to Centrex customers is not increased.

Supporting comments:

- Due to an extensive use of Centrex within State government for inter-office and local area calling, not for interstate calling services, State government will be disproportionately responsible to support the FUSF compared to other telephony users;

- State government which by design support universal service fund recipients will be charged twice, once by supporting recipient organizations and once by paying higher FUSF fees;
- We support the comments filed by the USTA which state: "the Commission should clarify that local exchange carriers may continue to charge their Centrex customers the equivalency amount of one-ninth of the full universal service contribution assessment."
- We support the comments filed by the National Centrex Users Group regarding the importance of maintaining competitive neutrality between Centrex and PBX services and maintaining the status quo with the Centrex equivalency ratio for the present.

We understand that other State governments are making similar requests and we fully support all such comments. Our position is that action by the FCC is urgently needed to insure that fees do not increase beyond existing levels.

Thank you. We appreciate your consideration in this matter.

Sincerely,

Donald S. Hill
Commissioner